

Property Tax Payments, 2002-2003 - Ohio County -

Indiana Legislative Services Agency

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The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Ohio County from \$0.7 Million in 2002 to \$1.4 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Ohio County, state tax credits increased

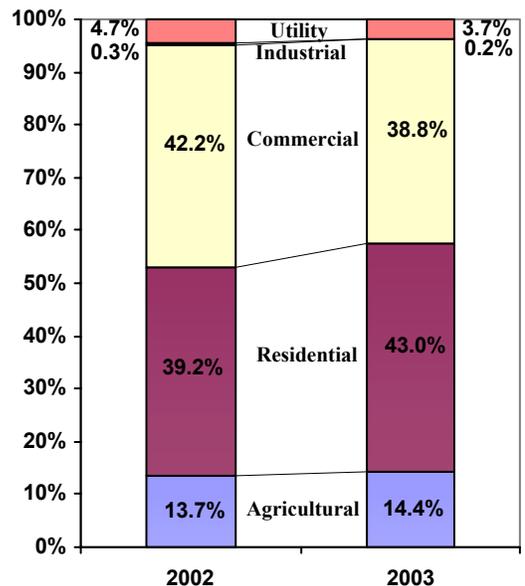
Table 1. Changes in AV and Tax Bills by Property Class for Ohio County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	99.7%	85.0%	-13.1%
Residential (All)	129.2%	96.3%	-9.3%
Homestead Only	133.2%	91.9%	-13.1%
Commercial	45.2%	44.9%	-24.0%
Industrial	-1.6%	-3.9%	-48.9%
Utility	10.6%	10.6%	-35.4%
Avg. All Classes	90.0%	70.5%	-17.4%

from \$0.7 million to \$1.4 million, an increase of \$0.7 million. This paper provides a brief summary of how these factors changed property tax liabilities in Ohio County.

Tax Shifts. Tax bills for all classes of property fell in Ohio County in 2003 (see Table 1). Gross real plus personal assessed values (AV) for agricultural and residential property doubled. The increase for commercial property was less, and for utilities less still. Assessed values for industrial property actually declined. As a result, agricultural and residential property received smaller tax reductions, while commercial, industrial and utility property received larger reductions. [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] These figures include the effects of new construction, demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Figure 1. Share of Net Property Tax Billings in Ohio County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Ohio County saw their tax bills decrease by a greater amount than the average residential property decrease. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased while taxes on homestead property decreased. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Ohio County, more residential property owners (including both homeowners and rental property owners) saw tax bill decreases than increases in 2003. Separately, many more homestead owners also saw decreases rather than increases.

	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	42.2%	28.5%	32.2%	21.7%
Decreased	57.8%	71.5%	67.8%	78.3%
Increased 100% or More	7.6%	5.9%	5.9%	4.5%
Decreased 25% or More	29.3%	38.1%	39.5%	52.0%
Average Change (\$)	-\$35	-\$81	-\$71	-\$122
Average Change (%)	-8.8%	-16.4%	-17.8%	-24.6%

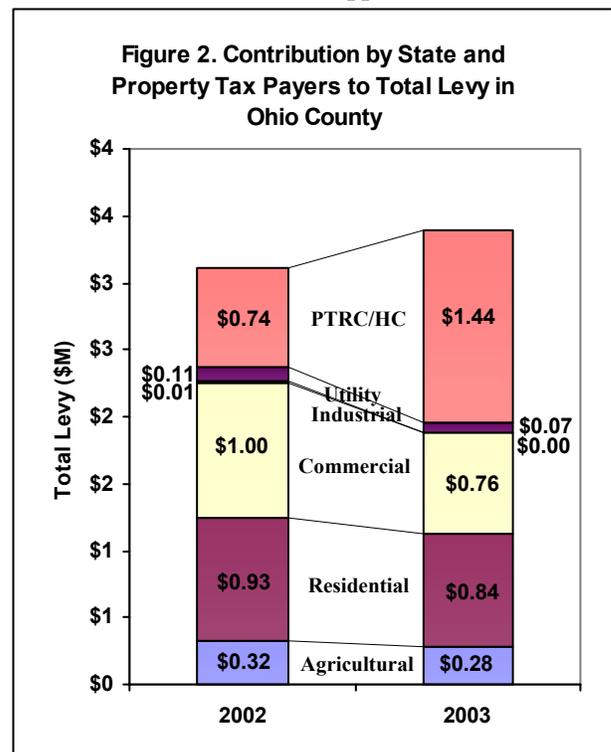
* Percentages represent the percentage of parcels affected.

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, about one-third of all residential property owners would have seen tax increases, and two-thirds would have seen tax decreases. For homesteads, more than three-quarters would have seen tax decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of substantially more homeowners than they increased.

Agriculture. Taxes on agricultural property in Ohio County declined slightly. Overall, agricultural business taxes declined less than agricultural homestead taxes. The net assessed value on non-homestead agricultural real property more than doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a small amount.

Business. Taxes on business property fell in Ohio County by more than taxes on agricultural and residential property. This is because business assessed values rose much less than residential and agricultural assessments. Business real property was assessed closer to the market value



standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Ohio County reduced tax rates, and this cut tax bills more for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Ohio County by PTRC and state homestead credit payments increased by approximately 96%, from \$0.7 million to \$1.4 million.

Table 3 shows estimates of how Ohio County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for agricultural property owners would have been large, and for residential property owners particularly large. The increases in the homestead deduction and PTRC in the tax restructuring eliminated these tax increases. Ohio County residential property taxes decreased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was fully offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for increasing the tax cuts received by commercial and industrial property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	17.8%	-13.1%	-30.9%
Residential (All)	49.6%	-9.3%	-58.9%
Homestead Only	60.2%	-13.1%	-73.3%
Commercial	-12.6%	-24.0%	-11.4%
Industrial	-47.4%	-48.9%	-1.5%
Utility	-39.1%	-35.4%	3.7%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Ohio County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	131,131,082	20,191,591	69,435,593	57,549,052	41,215,144	206,906	81,849
Real Deductions	14,067,000	1,705,870	12,267,249	12,267,249	84,478	9,403	0
Real Net Assessed Value	117,064,082	18,485,721	57,168,344	45,281,803	41,130,666	197,503	81,849
Personal Gross Assd. Value	22,091,530	1,667,980	1,167,260	0	12,532,180	243,150	6,480,960
Personal Deductions	116,140	0	0	0	96,640	19,500	0
Personal Net Assd. Value	21,975,390	1,667,980	1,167,260	0	12,435,540	223,650	6,480,960
Total Gross Assessed Value	153,222,612	21,859,571	70,602,853	57,549,052	53,747,324	450,056	6,562,809
Total Deductions	14,183,140	1,705,870	12,267,249	12,267,249	181,118	28,903	0
Total Net Assessed Value	139,039,472	20,153,701	58,335,604	45,281,803	53,566,206	421,153	6,562,809
Gross Levy	3,095,027	421,446	1,270,741	986,366	1,253,978	8,987	139,876
PTRC (Calculated)	630,518	84,800	257,624	199,935	257,925	1,811	28,358
State/County Homestead Cr. (Calculated)	101,911	13,904	88,007	88,007	0	0	0
Net Levy	2,362,598	322,742	925,110	698,424	996,053	7,175	111,517
Pay 2003							
Real Gross Assessed Value	264,239,400	41,743,904	160,818,370	134,201,682	61,427,511	198,763	50,852
Real Deductions	53,889,750	6,370,891	47,310,133	47,310,133	190,180	18,546	0
Real Net Assessed Value	210,349,650	35,373,013	113,508,237	86,891,549	61,237,331	180,217	50,852
Personal Gross Assd. Value	26,954,545	1,918,315	989,960	0	16,593,870	244,140	7,208,260
Personal Deductions	221,420	0	0	0	201,920	19,500	0
Personal Net Assd. Value	26,733,125	1,918,315	989,960	0	16,391,950	224,640	7,208,260
Total Gross Assessed Value	291,193,945	43,662,219	161,808,330	134,201,682	78,021,381	442,903	7,259,112
Total Deductions	54,111,170	6,370,891	47,310,133	47,310,133	392,100	38,046	0
Total Net Assessed Value	237,082,775	37,291,328	114,498,197	86,891,549	77,629,281	404,857	7,259,112
Gross Levy	3,391,550	499,812	1,603,648	1,214,677	1,183,189	5,518	99,384
PTRC (Calculated)	1,305,996	202,601	648,217	491,341	425,946	1,854	27,377
State/County Homestead Cr. (Calculated)	133,055	16,745	116,310	116,310	0	0	0
Net Levy	1,952,499	280,466	839,120	607,027	757,243	3,663	72,007
COMPARISONS							
Net Levy Percent Change	-17.4%	-13.1%	-9.3%	-13.1%	-24.0%	-48.9%	-35.4%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	101.5%	106.7%	131.6%	133.2%	49.0%	-3.9%	-37.9%
Gross Personal AV	22.0%	15.0%	-15.2%	0.0%	32.4%	0.4%	11.2%
Total Gross Assessed Value	90.0%	99.7%	129.2%	133.2%	45.2%	-1.6%	10.6%
Net Assessed Value	70.5%	85.0%	96.3%	91.9%	44.9%	-3.9%	10.6%
Gross Levy	9.6%	18.6%	26.2%	23.1%	-5.6%	-38.6%	-28.9%
Net Levy	-17.4%	-13.1%	-9.3%	-13.1%	-24.0%	-48.9%	-35.4%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	630,585	1,306,401	675,816	107.2%			
State Homestead Cr. (Abstract)	105,359	137,755	32,396	30.7%			
Total State Credits (Abstract)	735,944	1,444,156	708,212	96.2%			

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Ohio County

Property Classification	2002	2003	Difference***	Change***	2002	2003	Change
	Net Tax	Net Tax			% of Total Real + Pers	% of Total Real + Pers	
<u>Real + Personal</u>							
Agricultural	322,742	280,466	-42,276	-13.1%	13.7%	14.4%	0.7%
Residential	925,110	839,120	-85,990	-9.3%	39.2%	43.0%	3.8%
Commercial	996,053	757,243	-238,810	-24.0%	42.2%	38.8%	-3.4%
Industrial	7,175	3,663	-3,512	-48.9%	0.3%	0.2%	-0.1%
Utility	111,517	72,007	-39,510	-35.4%	4.7%	3.7%	-1.0%
Exempt	253	70	-183	-72.3%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	2,362,850	1,952,569	-410,281	-17.4%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	294,874	261,974	-32,900	-11.2%	12.5%	13.4%	0.9%
Residential	905,364	831,183	-74,181	-8.2%	38.3%	42.6%	4.3%
Commercial	766,431	569,567	-196,864	-25.7%	32.4%	29.2%	-3.3%
Industrial	3,408	1,477	-1,931	-56.7%	0.1%	0.1%	-0.1%
Utility	1,532	473	-1,059	-69.1%	0.1%	0.0%	0.0%
Exempt	253	70	-183	-72.3%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	1,971,862	1,664,744	-307,118	-15.6%	83.5%	85.3%	1.8%
Agricultural Homesteads	184,625	147,640	-36,985	-20.0%	7.8%	7.6%	-0.3%
Residential Homesteads	698,424	607,027	-91,397	-13.1%	29.6%	31.1%	1.5%
Total Homesteads	883,049	754,667	-128,382	-14.5%	37.4%	38.6%	1.3%
Non-Homestead Residential	206,940	224,157	17,217	8.3%	8.8%	11.5%	2.7%
Apartments (Over 4 Units)	32,136	27,095	-5,041	-15.7%	1.4%	1.4%	0.0%
<u>Personal Property Only</u>							
Agricultural	27,868	18,491	-9,377	-33.6%	1.2%	0.9%	-0.2%
Residential	19,745	7,937	-11,808	-59.8%	0.8%	0.4%	-0.4%
Commercial	229,622	187,676	-41,946	-18.3%	9.7%	9.6%	-0.1%
Industrial	3,767	2,187	-1,580	-41.9%	0.2%	0.1%	0.0%
Utility	109,986	71,534	-38,452	-35.0%	4.7%	3.7%	-1.0%
Total	390,988	287,825	-103,163	-26.4%	16.5%	14.7%	-1.8%
Total Depreciables	235,266	140,025	-95,241	-40.5%	10.0%	7.2%	-2.8%
Total Inventory	135,978	139,864	3,886	2.9%	5.8%	7.2%	1.4%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	110,249	114,334	4,085	3.7%	4.7%	5.9%	1.2%
Ag Personal	27,868	18,491	-9,377	-33.6%	1.2%	0.9%	-0.2%
Total Ag Business	138,117	132,825	-5,292	-3.8%	5.8%	6.8%	1.0%
Ag Homesteads	184,625	147,640	-36,985	-20.0%	7.8%	7.6%	-0.3%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Ohio County

Property Classification	2002	2003	Difference***	Change***	2002	2003	Change
	Net AV	Net AV			% of Total Real + Pers	% of Total Real + Pers	
<u>Real + Personal</u>							
Agricultural	20,153,701	37,291,328	17,137,627	85.0%	14.5%	15.7%	1.2%
Residential	58,335,604	114,498,197	56,162,593	96.3%	42.0%	48.3%	6.3%
Commercial	53,566,206	77,629,281	24,063,075	44.9%	38.5%	32.7%	-5.8%
Industrial	421,153	404,857	-16,296	-3.9%	0.3%	0.2%	-0.1%
Utility	6,562,809	7,259,112	696,303	10.6%	4.7%	3.1%	-1.7%
Exempt	13,530	7,400	-6,130	-45.3%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	139,053,003	237,090,175	98,037,172	70.5%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	18,485,721	35,373,013	16,887,292	91.4%	13.3%	14.9%	1.6%
Residential	57,168,344	113,508,237	56,339,893	98.6%	41.1%	47.9%	6.8%
Commercial	41,130,666	61,237,331	20,106,665	48.9%	29.6%	25.8%	-3.8%
Industrial	197,503	180,217	-17,286	-8.8%	0.1%	0.1%	-0.1%
Utility	81,849	50,852	-30,997	-37.9%	0.1%	0.0%	0.0%
Exempt	13,530	7,400	-6,130	-45.3%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	117,077,613	210,357,050	93,279,437	79.7%	84.2%	88.7%	4.5%
Agricultural Homesteads	11,887,165	20,869,457	8,982,292	75.6%	8.5%	8.8%	0.3%
Residential Homesteads	45,281,803	86,891,549	41,609,746	91.9%	32.6%	36.6%	4.1%
Total Homesteads	57,168,968	107,761,006	50,592,038	88.5%	41.1%	45.5%	4.3%
Non-Homestead Residential	11,886,541	26,616,688	14,730,147	123.9%	8.5%	11.2%	2.7%
Apartments (Over 4 Units)	1,817,893	3,121,188	1,303,295	71.7%	1.3%	1.3%	0.0%
<u>Personal Property Only</u>							
Agricultural	1,667,980	1,918,315	250,335	15.0%	1.2%	0.8%	-0.4%
Residential	1,167,260	989,960	-177,300	-15.2%	0.8%	0.4%	-0.4%
Commercial	12,435,540	16,391,950	3,956,410	31.8%	8.9%	6.9%	-2.0%
Industrial	223,650	224,640	990	0.4%	0.2%	0.1%	-0.1%
Utility	6,480,960	7,208,260	727,300	11.2%	4.7%	3.0%	-1.6%
Total	21,975,390	26,733,125	4,757,735	21.7%	15.8%	11.3%	-4.5%
Total Depreciables	13,473,108	13,616,712	143,604	1.1%	9.7%	5.7%	-3.9%
Total Inventory	7,335,022	12,126,453	4,791,431	65.3%	5.3%	5.1%	-0.2%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	6,598,556	14,503,556	7,905,000	119.8%	4.7%	6.1%	1.4%
Ag Personal	1,667,980	1,918,315	250,335	15.0%	1.2%	0.8%	-0.4%
Total Ag Business	8,266,536	16,421,871	8,155,335	98.7%	5.9%	6.9%	1.0%
Ag Homesteads	11,887,165	20,869,457	8,982,292	75.6%	8.5%	8.8%	0.3%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Ohio County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	148%	114%	-2%	-11%
Comparable Residential Real Prop.	132%	98%	-9%	-18%
Comparable Homesteads	130%	86%	-16%	-25%

Distribution of Net Tax Changes on Comparable Residential Property

% Change	2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over 300%	36	1.7%	19	1.4%	27	1.3%	13	1.0%
200% to 300%	18	0.9%	11	0.8%	21	1.0%	12	0.9%
100% to 200%	104	5.0%	50	3.7%	75	3.6%	35	2.6%
50% to 100%	125	6.0%	57	4.2%	103	5.0%	49	3.6%
25% to 50%	147	7.1%	77	5.7%	108	5.2%	50	3.7%
10% to 25%	136	6.6%	74	5.5%	116	5.6%	64	4.7%
5% to 10%	73	3.5%	32	2.4%	42	2.0%	21	1.5%
0 to 5%	236	11.4%	67	4.9%	177	8.5%	51	3.8%
0 to -5%	124	6.0%	53	3.9%	76	3.7%	37	2.7%
-5% to -10%	99	4.8%	77	5.7%	136	6.6%	55	4.1%
-10% to -25%	369	17.8%	324	23.9%	374	18.0%	264	19.5%
-25% to -50%	490	23.6%	446	32.9%	647	31.2%	593	43.7%
Below -50%	118	5.7%	70	5.2%	173	8.3%	113	8.3%
	2,075	100.0%	1,357	100.0%	2,075	100.0%	1,357	100.0%
Parcels With Increases	875	42.2%	387	28.5%	669	32.2%	295	21.7%
Parcels With Reductions	1,200	57.8%	970	71.5%	1,406	67.8%	1,062	78.3%
Average \$ Change		-\$35		-\$81		-\$71		-\$122
Average % Change		-8.8%		-16.4%		-17.8%		-24.6%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

Prepared by Legislative Services Agency, June 2005